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European Union

The European Union (EU) and the United States (US) have been in a trade dispute since 1997 regarding equivalency of poultry slaughterhouse inspection systems. Initially, the EU banned poultry imports from the US because the EU mandated high standards of cleanliness at all stages of production in their system, while the US approves the use of chlorinated water as a decontaminant at the end of the production process. In light of the disagreement, the US and EU entered into negotiations seeking a Veterinary Equivalence Agreement. When no agreement was reached by April 30, 1997, the US retaliated with a counter ban on all poultry imports from EU. The EU then appealed to the World Trade Organization on August 18, 1997. The EU argued that the US ban is a violation of the Sanitary/Phytosanitary Agreement of GATT.

As a result of EU requirements, the poultry ban has resulted in an estimated loss of \$50 million annually to U.S. poultry exporters. The US ban on EU poultry is estimated to have halted \$1 million worth of poultry imports. A much broader trade war was averted including other meat items with the Meat Equivalency Agreement of April 30, 1997. The framework agreed to in April, 1997 allowed the signing of the Veterinary Equivalency Agreement on July 20, 1999 between the EU and the US.

The agreement covered more than \$1.5 billion in US animal and animal product exports to the EU and an equal value of EU exports to the US. Specifically, Commission Decision 2003/863/EC established model health certificates for the importation of gelatin and collagen from the US. The concept of the equivalency agreement also allowed veterinary inspection requirements to differ between the US and EU, but ensured the US's right to establish its own level of public health protection.

The EU also committed in the 1997 agreement to undertake a scientific study on the use of anti-microbial treatments. The results of this study were released on October 30, 1998. The report recommended that anti-microbial treatment should only be used as part of an overall strategy for pathogen control throughout the whole production chain. Although chlorine was rejected as an anti-microbial treatment, TSP and lactic acid were deemed more acceptable.

The European Food Safety Authority (EFSA) has completed its risk analysis of three different antimicrobial products for use in processing poultry. The EFSA has agreed with the United States Department of Agriculture's (USDA) findings that the use of the three antimicrobials would pose no food-safety hazard to consumers. A committee vote is expected sometime early in the summer of 2005. If the governing committee approves the products and resulting new rules, some think the new rules could take effect in early 2006. The new rules would again allow US poultry into the EU market and possibly allow EU poultry into the US when the retaliatory measures are lifted.

However, Finland and Sweden are in opposition to the new rules since they believe anti microbial treatment is not necessary for poultry. In a compromise, the EFSA is also proposing that packaged treated meat that has not been marinated, minced, or otherwise handled

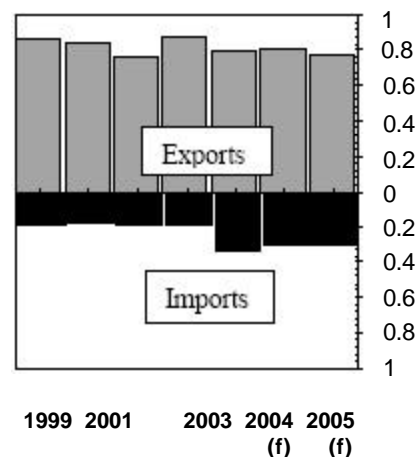
should bear a special label that it has been treated. Some EU countries would like to impose mandatory labeling on treated meat. It is unclear how many EU countries will start treating poultry once the new rules are passed, however, it is noted that salmonella is bigger problem outside of the Nordic region.

In 2005, EU broiler meat production is expected to grow by less than 1 percent to just under 8 million tons. Improved feed costs following droughts in 2003 and recovery from avian influenza are factors in the broiler meat production growth. Production growth is expected in Belgium/Luxemburg, Poland and Spain. Additionally in 2005, the decoupling of subsidy payments for cereal grains will likely increase the profitability of Hungarian and Polish broiler meat producers due to the availability of low-cost feed grains.

The EU exports mostly low value cuts as well as mechanically deboned meat (MDM). Even though Polish MDM exports to mainly Russia experienced a 13 percent increase, EU exports in 2005 exports are expected to increase by less than 1 percent driven by the modest increase in production and also in part by stiff international competition and unfavorable exchange rates. The increase in Poland's MDM exports came despite delays in the implementation of EU's Russian import allocation. The EU has also faced strong competition from Brazil into Saudi Arabia and the United Arab Emirates, which are also two of the EU's main export markets.

As of January 1, 2005, animal health certification is required for all products that transit the EU immediately or transit after storage in the EU. The shipments do not need public health statements required for products destined to the EU consumer. Animal health certification is needed for product intended to go to EU free zones, free warehouse and premises of operators supplying cross border means of sea transportation and EU customs warehouses. Recently 10 new members joined the EU. These members are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Bulgaria and Romania have not yet concluded their accession negotiations. They are expected to join the EU in 2007.

EU Broilers Imports/Exports



Source: USDA/FAS and various other news sources

Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending May 14, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	0	356	4,519	3,309
Frozen	0	0	21	0
Dried	0	35	107	271
Total	0	391	4,647	3,580

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending May 14, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	0	258	2,414	1,552
Frozen	0	4	327	748
Dried	0	80	340	1,289
Total	0	342	3,081	3,589

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending May 14, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	0	30	33	113
Extra Large	230	7,290	25,150	22,685
Large	1,700	14,900	61,818	52,283
Medium	2,070	3,750	24,900	26,610
Ungraded	2,940	6,060	41,630	96,835
Misc	630	0	4,723	10,490
Total	7,570	32,030	158,254	209,016

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Source: USDA/AMS Poultry Programs, Market News Branch.

U.S./Canadian Live Poultry Slaughtered Under Inspection

W/E 14-May-05 (PRELIMINARY)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,528	1,462	2,990
Last Week	1,604	1,485	3,089
Same week yr ago	1,410	1,214	2,624
To-date/2005	29,227	25,673	54,900
To-date/2004	24,795	24,173	48,968

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	300	0	300
Last Week	216	8	224
Same week yr ago	310	8	318
To-date/2005	5,460	26	5,486
To-date/2004	4,667	60	4,727

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,828	1,462	3,290
Last Week	1,820	1,493	3,313
Same week yr ago	1,720	1,222	2,942
To-date/2005	34,687	25,699	60,386
To-date/2004	29,462	24,233	53,695

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

May 20, 2005

CHICKEN WITH SKIN ADDED

---- PRICES ----		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	26.00	61,200	-
WTD AVERAGE		26.00		
15-20%				
RANGE	25.00-29.00	14.00-26.00	1,670,800	162,400
WTD AVERAGE	27.00	21.05		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

May 20, 2005

CHICKEN WITH SKIN ADDED

---- PRICES ----		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	20.50	21.00-26.00	540,000	260,000
WTD AVERAGE	20.50	22.71		
15-20%				
RANGE	23.50-29.00	22.00-24.00	1,537,000	897,000
WTD AVERAGE	25.62	22.50		
20% OR MORE				
RANGE	-	21.00	80,000	-
WTD AVERAGE		21.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 20 MAY 2004.

The market tone on tom drums and necks steady to firm, tom wings steady to barely steady. Demand good on tom drums and necks, tom wings light to moderate into domestic and export channels. Offerings tom drums and necks light at best and held with confidence, tom wings adequate to fully adequate. The market tone on retail and institutional sized rib breast was steady to firm. Demand light to instances moderate on retail breasts, moderate to good on institutional sizes for the limited offerings. Trading was active on fresh tom breast meat for domestic shipments, tom bulk parts for domestic and export deliveries and frozen thigh meat for export. For domestic: livers 23 delivered pet foods, fresh wing meat with skin 95, fresh scapula 112-120 mostly 112, fresh breast trim 140 cents delivered. For export: fresh tom drums 43 and thigh meat 82-83, scapula 98 cents delivered.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, MAY 20, 2005	RANGE	CODE 1/	PRICE	(000)	PRICE	VOLUME
DRUMSTICKS, TOMS	43.00-48.00		45.84	408	45.48	509
WINGS FULL-CUT - TOMS	24.00-26.00		24.32	248	24.62	340
WINGS, V-TYPE, TOM		M	49.40	780	49.40	780
TAILS		F	27.00	80		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	78.00-83.00		80.17	624	81.03	1,101
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
THURSDAY, MAY 19, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	44.00		44.00	80		
WINGS FULL-CUT - TOMS	26.50		26.50	52		
WINGS, V-TYPE, TOM		M	49.40	780		
TAILS		F	27.00	80		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	80.00		80.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
WEDNESDAY, MAY 18, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	44.00		44.00	21		
WINGS FULL-CUT - TOMS	24.00		24.00	40		
WINGS, V-TYPE, TOM		M	49.40	780		
TAILS		F	27.00	80		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	82.00-84.00	W	35.00	156		
			82.77	229		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
TUESDAY, MAY 17, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		F	45.19	392		
WINGS FULL-CUT - TOMS		F	25.67	134		
WINGS, V-TYPE, TOM		M	49.40	780		
TAILS		F	27.00	80		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	81.50	W	35.00	156		
			81.50	156		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
MONDAY, MAY 16, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		F	45.19	392		
WINGS FULL-CUT - TOMS		F	25.67	134		
WINGS, V-TYPE, TOM	48.00-51.00		49.40	780		
TAILS		F	27.00	80		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	83.00	W	35.00	156		
			83.00	52		

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.